

# A Review of the Pat Harrison Waterway District's Current Financial Status and Its Efforts to Plan for Capital Outlay Needs

A Report to the Mississippi Legislature  
Report #684  
January 2, 2023



# PEER Committee

Kevin Blackwell, Chair  
Jerry Turner, Vice-Chair  
Becky Currie, Secretary

## Senators:

Lydia Chassaniol  
Dean Kirby  
Chad McMahan  
Sollie Norwood  
John Polk  
Charles Younger

## Representatives:

Richard Bennett  
Cedric Burnett  
Carolyn Crawford  
Timmy Ladner  
Percy Watson

## Executive Director:

James F. (Ted) Booth

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The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.



# Joint Legislative Committee on Performance Evaluation and Expenditure Review

PEER Committee

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P.O. Box 1204 | Jackson, Mississippi 39215-1204

## Senators

Kevin Blackwell  
Chair  
Lydia Chassaniol  
Dean Kirby  
Chad McMahan  
Sollie Norwood  
John Polk  
Charles Younger

January 2, 2023

Honorable Tate Reeves, Governor  
Honorable Delbert Hosemann, Lieutenant Governor  
Honorable Philip Gunn, Speaker of the House  
Members of the Mississippi State Legislature

On January 2, 2023, the PEER Committee authorized release of the report titled *A Review of the Pat Harrison Waterway District's Current Financial Status and Its Efforts to Plan for Capital Outlay Needs*.

## Representatives

Jerry Turner  
Vice Chair  
Becky Currie  
Secretary  
Richard Bennett  
Cedric Burnett  
Carolyn Crawford  
Timmy Ladner  
Percy Watson

Senator Kevin Blackwell, Chair

## Executive Director

James F. (Ted) Booth

**This report does not recommend increased funding or additional staff.**

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**CONCLUSION:** From FY 2017 to FY 2021, the PHWD's net financial position increased by \$1,503,988. PHWD's net financial position was aided by \$1,475,000 in one-time exit payments from Forrest County and Jasper County. Although the PHWD Board of Directors informally identifies project priorities based on Board member input (e.g., effort to resurface park roads), the Board has not developed a five-year plan documenting the Board's priority projects (and their projected costs), as required by MISS. CODE ANN. Section 51-15-119 (2) (1972). The PHWD budget available for capital outlay projects is limited, in part because the parks operate at a loss, averaging a deficit of \$233,964 per year from FY 2018 to FY 2022. PHWD has not taken formal steps to outline a plan for use of its reserve fund, which has been elevated by the influx of one-time funds (e.g., exit fees, timber sales).



## BACKGROUND

### Background

MISS. CODE ANN. Section 51-15-101 (1972) et seq., created PHWD in 1962 to oversee recreation, flood control, economic development, timber development, irrigation, and pollution abatement. Originally composed of 15 counties in southeast Mississippi state, PHWD currently has ten member counties. MISS. CODE ANN. Section 51-15-129 (1972) requires the use of a specified portion of the funds contributed to PHWD by member counties for flood control and water management.

PHWD owns eight parks and nine boat ramps. Little Black Creek Water park is operated by a private vendor. The PHWD also operates Okatibbee Creek Water Park, which it leases from the U.S. Army Corps of Engineers. PHWD also maintains seven dams.

The 13-member PHWD Board of Directors must authorize all PHWD expenditures of \$5,000 or more, including the approval of capital outlay projects or significant maintenance projects.

PHWD funding sources include park revenue, member county ad valorem tax collections, and miscellaneous revenue (e.g., interest income, timber sales, exit fees).



## PHWD Financial Status

- **From FY 2017 to FY 2021, the PHWD's net financial position increased by \$1,503,988.** PHWD's net financial position was aided by \$1,475,000 in one-time exit payments from Forrest County and Jasper County. Exit fees for Perry and Jackson counties are still to be determined.
- **As of June 30, 2022, PHWD had \$11,155,002 in cash reserves, of which approximately \$9.1 million were unrestricted cash reserves.** Although best practices suggest there are benefits to having a reserve fund (e.g., maintaining a loss reserve or a sink fund to cover large, unplanned projects), especially for a park system, PHWD has not followed best practices because it has not outlined PHWD's intent for these funds or established a policy regarding PHWD's use of reserve funds.
- **Over a five-year period, FY 2018 to FY 2022, PHWD parks averaged an annual net loss of \$233,964 per year, including parks-related expenses associated with PHWD office and central maintenance crew.** PHWD parks generate 79% of their revenue from cabin and campsite rentals. Staffing costs comprised about half of park expenses while utility costs comprised about one-fifth of park expenses.
- **PHWD ad valorem tax collections rose approximately \$343,000 from FY 2019 to FY 2022 (excluding exit fees).** This followed a 34% decline in PHWD ad valorem tax revenue collections from \$2.78 million in FY 2011 to \$1.83M in FY 2019 as five member counties exited PHWD.

## Assessment of PHWD Efforts to Plan for Capital Outlay Projects

- Although the PHWD Board of Directors informally identifies project priorities based on Board member input (e.g., effort to resurface park roads), PEER found that the PHWD Board of Directors has not complied with MISS. CODE ANN. Section 51-15-119 (2) (1972) requiring the Board to annually prepare a five-year plan containing a prioritized list detailing the purposes, goals, and projected costs of projects which it intends to implement or is in the process of implementing. PHWD staff develops and updates a capital infrastructure plan that generally lists and assigns a dollar estimate value for each capital outlay project (\$22,642,400 in total projects); however, the plan lacks specificity regarding the work to be done and prioritization of needs.

### Determining PHWD Capital Outlay/Priority Needs

- Both PHWD Board members and staff identified issues related to park infrastructure (e.g., repairing/replacing water lines and updating electrical infrastructure) and revenue-generating areas (e.g., modernizing to accommodate RVs, cabin maintenance, and RV-traveled park roads).
- Absent a ranked priority system, DFA BOB identified repair and renovation of existing buildings (or infrastructure) as its top priority, in part due to costs related to deferred maintenance, and increased costs associated with adding additional infrastructure.

The Mississippi Department of Environmental Quality currently requires the PHWD to make repairs or improvements to three high-hazard dams.

### PHWD Expenditures for Capital Outlay Projects and Maintenance

- PHWD does not track total costs for capital outlay projects and/or maintenance expenditures. For projects in which project-specific costs are known, PHWD expended \$1,097,975 from FY 2015 to FY 2021 for road resurfacing, building new cabins, or specific projects funded by federal or state matching funds (e.g., development of Flint Creek Horse Trail or improvements to Little Black Creek Dam). For example, this excludes costs related to adding 42 additional campsites to five PHWD parks.



### SUMMARY OF RECOMMENDATIONS

1. The Legislature should amend MISS. CODE ANN. Section 51-15-118 (1972) to require member counties who choose to exit the PHWD to do so with an effective date of the fiscal year-end, June 30.
2. PHWD Board of Directors should comply with MISS. CODE ANN. Section 51-15-119 (2) (1972) to *annually prepare a five-year plan containing a prioritized list detailing the purposes, goals and projected costs of projects which it intends to implement or is in the process of implementing and shall file such plans with the clerk of the board of supervisors of each member county on or before July 15 of each year.*
  - a. Further, the Legislature should amend MISS. CODE ANN. Section 51-15-119 (2) (1972) to require PHWD also submit the plan to the House and Senate Appropriations committees on or before July 15 of each year.
3. PHWD Board of Directors should establish a board policy specifying for what purposes the PHWD cash reserve fund may be utilized, and requirements for authorizing the use of such funds. PHWD Board of Directors, in consult with PHWD staff, shall adopt a document outlining the reasoning for its policy and plans for the use of PHWD's reserve fund.
  - a. For example, this may include a policy stating the expenditure of cash reserve funds requires a two-thirds board vote. A cash reserve fund utilization policy may state that PHWD allocates \$1,000,000 toward operating cash flow; \$3,000,000 for emergency maintenance funds; and \$3,000,000 to sustain PHWD operations in the event of revenue shortfalls.

# A Review of the Pat Harrison Waterway District's Current Financial Status and Its Efforts to Plan for Capital Outlay Needs

## Introduction

### Authority

The PEER Committee, under its authority found in MISS. CODE ANN. Section 5-3-51 (1972) et seq., conducted a review of the Pat Harrison Waterway District (PHWD) to determine how it plans for and allocates funding to park capital outlay projects, dams, county works projects, and maintenance and repair projects. Additionally, the PEER Committee sought to determine the current financial status of PHWD.

### Scope and Purpose

#### PEER sought to:

- describe PHWD, including its current mission, functions, and membership;
- examine PHWD's current financial status; and,
- assess how PHWD planned for and allocated funding to capital outlay and maintenance for parks, dams, and county works projects from FY 2015 to FY 2022.

### Method

#### In conducting fieldwork, PEER:

- reviewed applicable state laws;
- interviewed PHWD staff concerning:
  - the financial status of PHWD;
  - how PHWD plans for and approves capital outlay and maintenance projects;
  - capital outlay expenditures for PHWD parks (e.g., maintenance, capital infrastructure), dams, and county works projects;
  - services to member counties; and,
  - staffing;
- obtained and analyzed PHWD financials from FY 2013 to FY 2022;
- reviewed audits of PHWD conducted since FY 2015;
- reviewed and PHWD occupancy reports for its cabins and campsites for FY 2012 to FY 2022;

- interviewed staff from:
  - the Department of Finance and Administration;
  - the Mississippi Department of Wildlife, Parks, and Fisheries;
  - the Mississippi Department of Environmental Quality; and,
  - the Mississippi Soil and Water Conservation Commission;
- interviewed PHWD's current Board members concerning their role in the planning for and approval of expenditures for capital outlay projects, and role of the reserve fund;<sup>1</sup> and,
- obtained information from PHWD on the status of the potential addition of two lake and recreational park development projects in George and Smith counties.<sup>2</sup>

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<sup>1</sup> As a state agency funded by self-generated funds including a portion of member county ad valorem tax dollars, PHWD is permitted to rollover unspent funds into the PHWD reserve fund for future year expenditures.

<sup>2</sup> The Pascagoula River Drought Resiliency Project in George County (Lake George Project) and the Smith County Recreational Project in Smith County (Smith Lake Project). Both projects require federal authorization, as discussed beginning on page 28.

# Background

This chapter includes a discussion of:

- the purpose of PHWD;
- the properties and facilities owned by PHWD; and,
- the governance and staffing of PHWD.

## Purpose of PHWD

**MISS. CODE ANN. Section 51-15-101 (1972) et seq., created PHWD in 1962 to oversee recreation, flood control, economic development, timber development, irrigation, and pollution abatement. Originally composed of 15 counties in the southeastern quadrant of the state, PHWD currently has ten member counties.**

MISS. CODE ANN. Section 51-15-103 (1972) established PHWD to be composed of Clarke, Covington, Forrest, George, Greene, Jackson, Jasper, Jones, Lamar, Lauderdale, Newton, Perry, Smith, Stone, and Wayne counties. Since 2011, five counties—Lamar, Forrest, Jasper, Jackson, and Perry—have withdrawn from PHWD.

In 2017, language was added to PHWD appropriation bill expanding membership eligibility to any county. That language remained through 2019 but was removed from PHWD appropriation bill in 2020. To date, no new counties have joined PHWD. PHWD is seeking to enact legislation to permit new counties to join and continues to engage with counties about the possibility of joining.

### Recreation

MISS. CODE ANN. Section 51-15-123 (1972) authorizes PHWD to establish and provide for public parks and recreation facilities. PHWD owns eight parks and campground areas. PHWD also leases the recreational park and campground at Okatibbee Creek Water Park from the U.S. Army Corps of Engineers, as part of a 10-year lease that began in 2018.<sup>3</sup> See Appendix A, page 31, for a map of park locations.

### Flood Control

MISS. CODE ANN. Section 51-15-129 (1972) requires the use of a specified portion of the funds contributed to PHWD by member counties for flood control and water management. PHWD self-funds its flood control and prevention program through its Works Projects Grant program. This includes the planning, development, construction, and operation of projects along the rivers and streams of the Pascagoula River Basin. PHWD also operates and maintains seven dams within PHWD's parks.

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<sup>3</sup> The initial 50-year lease ended in 2018. PHWD pays \$0 per year to lease Okatibbee Creek Water Park unless the park generates a profit.

## Water Management

MISS. CODE ANN. Section 51-15-125 (1972) states that PHWD's Board of Directors has the power to adopt and promulgate regulations to secure, maintain, and preserve the sanitary condition of water in any reservoir within PHWD. Water management consists of:

- planning, managing, and improving water quality and water supply sources through maintaining proper lake water levels;
- storing water for domestic, municipal, commercial, industrial, agricultural, and manufacturing purposes;
- inspecting dams;
- providing recreational areas; and,
- protecting homes vulnerable to overflow waters or surface waters.

In addition, PHWD also identifies potential areas in which a water source is needed or could benefit regions within its jurisdiction.

## Properties and Facilities Owned by PHWD

**PHWD operates eight of its nine parks, leasing a ninth to Little Black Creek Campground and Park, LLC. PHWD also maintain seven dams, five of which are rated as high-hazard. As these dams age, PHWD could incur significant expenses to not only maintain the dams, but to modify, rehabilitate, and repair the dams so that they comply with state requirements.**

### Parks and Campgrounds

PHWD operates eight parks and leases one park to a private vendor. These facilities include a historic site (i.e., Dunn's Falls), lakes, cabins and/or campgrounds, waterslides (i.e., Flint Creek), hiking trails, horse trails or bike trails, and additional support facilities. See Appendix B, page 32, for a profile of PHWD's recreation facilities and the recreational opportunities provided.

PHWD owns nine parks and nine boat ramps. Little Black Creek Water park is operated by a private vendor.

After the exit of Lamar County, PHWD opted to seek private vendors to lease Little Black Creek Water Park, citing a Board desire to devote fewer PHWD resources to a park no longer located within PHWD's boundaries. On December 20, 2013, PHWD commenced a 10-year lease with Little Black Creek Campground and Park, LLC, for Little Black Creek Water Park. The lease may be renewed up to four times for 10 years each making the total potential lease under the contract 50 years.

PHWD also owns nine additional boat ramp sites including one in Jones County, two in Clark County, and three each in George and Wayne counties. Each year, PHWD pays each county's respective board of supervisors an annual maintenance fee (\$1,500 per boat ramp site) to maintain PHWD boat ramp(s) and grounds in the county. After the exit of Perry County from PHWD, PHWD ceased providing Perry County with \$3,000 per year to maintain the two boat ramps in Perry County.

## Dams

PHWD maintains seven dams within its jurisdiction. The Mississippi Department of Environmental Quality currently requires PHWD to modify two dams—Little Black Creek Dam and Big Creek Dam—as well as make repairs to Dry Creek Dam.

PHWD maintains seven dams within its jurisdiction. These dams serve as flood control structures, but also create recreational lakes around which seven of PHWD's parks were developed. Five of the dams are high-hazard dams, which require inspection by an independent professional engineer every five years. As these dams age, PHWD could incur significant expenses to not only maintain the

dams, but to modify, rehabilitate, and repair the dams so that they comply with state requirements. The Mississippi Department of Environmental Quality currently requires PHWD to modify two dams—Little Black Creek Dam and Big Creek Dam—as well as make repairs to Dry Creek Dam. (For more detail, see Maintenance of Dams discussion beginning on page 26).

According to the Mississippi Soil and Water Conservation Commission, these dams, in general, were initially built as flood control structures with funds from Public Law 566 funds (Natural Resources Conservation Service). Three dams are listed on the U.S. Army Corps of Engineers National Dam Inventory as being designed by the National Resources Conservation Service (NRCS), while four list private engineers as the design firm. The U.S. Army Corps of Engineers maintains the eighth dam, Okatibbee Creek Dam.

## Governing and Staffing of PHWD

**A 13-member Board of Directors governs PHWD. Each member county's board of supervisors appoints one member, and the Governor appoints three at-large members. PHWD currently employs 110 staff members: 29 full-time employees and 81 contract workers. There are currently no part-time employees.**

### Governing Board

A 13-member Board of Directors governs PHWD. Per MISS. CODE ANN. Section 51-15-105 (1972), each member county's board of supervisors appoints one member, and the Governor appoints three at-large members. Board members serve four-year terms.

MISS. CODE ANN. Section 51-15-119 (1972) authorizes the Board to employ a general manager or executive director with the power to employ and discharge employees. The Board of Directors, which meets monthly, must approve PHWD expenditures of \$5,000 or more.

### Staffing

PHWD reported employing 110 total employees including 29 full-time appropriated positions (PINs) and 81 contract workers. Exhibit 1 on page 6 provides a breakout of employees, by location.

## Exhibit 1: PHWD Staffing as of 2022

Location	PIN Employees	Contract Employees	Total
District Office	7	7	14
Maintenance Crew	5	2	7
Archusa Creek Water Park	5	3	8
Big Creek Water Park	1	7	8
Dry Creek Water Park	1	2	3
Dunn's Falls Water Park	0	2	0
Flint Creek Water Park	7	36	43
Little Black Creek Water Park <sup>1</sup>			
Maynor Creek Water Park	1	8	9
Okatibbee Creek Water Park	8	2	10
Turkey Creek Water Park	2	4	6
<b>Total</b>	<b>29</b>	<b>81</b>	<b>110</b>

1. Little Black Creek Water Park has been leased by a private vendor since December 20, 2013.

**SOURCE:** Compiled from information provided by Pat Harrison Waterway District.

PHWD district office staff performs the following functions: personnel, payroll, accounting, purchasing, marketing, booking reservations, and providing support for PHWD's program operations. All district parks have an assigned staff except Little Black Creek Water Park.<sup>4</sup>

PHWD's central maintenance crew is responsible for major maintenance and repair items as well as renovation and capital outlay projects at PHWD parks. For example, this may include repairing and replacing water/sewer lines, upgrading the electrical hook-ups for RVs, reinforcing and extending campsites, replacing cabin decks, and building new parking pads for cabins. In 2022, PHWD central maintenance crew built eight new pull-through RV campsites at Archusa Creek Water Park. On-site park maintenance staff may perform plumbing, electrical, and carpentry work, maintain park grounds, and address cabin repairs.

PHWD's cost control strategy, which has been in place since 2013, transitions new hires from PIN to contract employees. Between 2017 and 2022, the number of PHWD state PIN employees declined from 40 to 29. In contrast, the number of PHWD contract workers increased from 52 to 81. Nineteen of the 29 additional contract workers can be attributed to PHWD terminating the contract with the prior vendor to manage the slide park inside Flint Creek. PHWD resumed managing the slide park in the summer of 2020 and hired seasonal contract staff to support the operation.

<sup>4</sup> Little Black Creek Water Park has been leased by a private vendor since December 20, 2013.

# What is PHWD's current financial status?

This chapter examines the following aspects of PHWD to determine its current financial status:

- PHWD funding;
- major expenditures of PHWD;
- profitability of PHWD parks;
- PHWD's management of and use of the cash reserve fund; and,
- PHWD's net financial position.

## PHWD Funding

**PHWD derives funding from a combination of fees generated by PHWD's recreational facilities, ad valorem tax collections contributed by PHWD's member counties, and miscellaneous revenue sources (e.g., interest income and timber sales).**

PHWD's main funding sources include fees generated by PHWD's recreational facilities and ad valorem taxes required by state law to be contributed to PHWD from each member county. The PHWD can earn additional operating revenue through investment of its cash reserves. The periodic sale of timber on PHWD property provides occasional revenue.

### Fees Generated by PHWD Recreational Facilities

Over the six-year period FY 2017 to FY 2022, PHWD's total gross revenue from parks averaged \$2.80 million.

PHWD parks generate funds from leases; cabin, boat, campsite, and recreational equipment rentals; day-use admission fees; special event admission fees (e.g., fireworks display); net income from the sale of concessions and firewood; and fees from the use of laundry facilities.

PEER analyzed PHWD parks revenues from FY 2017 to FY 2022. During this six-year period, PHWD's parks combined generate, on average, \$2.80 million in total parks revenue per year. PHWD parks experienced a post-COVID boost with revenues rising from \$2.60 million in FY 2020 to \$3.05 million in FY 2021 and \$3.22 million in FY 2022.

PHWD parks generated revenue from the following categories:

- campsite rentals – 45%, or an average of \$1.26 million per year;
- cabin rentals – 34%, or an average of \$941,000 per year;
- day use activities (e.g., entrance fees, boating, water park) – 9%, or an average of \$255,000 per year;
- lease and rental agreements – 5%, or an average of \$150,000 per year; and,
- miscellaneous – 7%, or an average of 196,000.

Over the six-year period, Flint Creek Water Park accounted for half (\$1.4 million) of PHWD's \$2.8 million in total park revenue.

### **Member Counties' Ad Valorem Tax Contributions**

MISS. CODE ANN. Section 51-15-129 (1972) requires that each of PHWD's member counties contribute a portion of ad valorem taxes to support PHWD. All member counties are required to contribute to PHWD up to seven-eighths of a mill of their total assessed valuation, respectively.<sup>5</sup> For the purpose of property tax assessment, one mill represents \$1 in property taxes for every \$1,000 in assessed property value. In FY 2022, PHWD received \$2,177,242 in ad valorem tax collections from its ten member counties. (See Appendix C, page 34, for PHWD ad valorem tax collections for FY 2011 through FY 2022 by member county.)

Ad valorem tax collections rose approximately \$343,000 from FY 2019 to FY 2022.

Comparison of ad valorem tax collections over time shows that collections for PHWD have decreased as a result of member counties leaving PHWD, therefore ceasing provision of their prior ad valorem contributions. PHWD ad valorem tax revenue collections declined 34% from \$2.78 million in FY 2011 to \$1.83M in FY 2019 as five member counties exited PHWD. Since FY 2019, ad valorem tax collections have risen approximately \$343,000 from FY 2019 to FY 2022 (excluding exit fees<sup>6</sup>).

### **Miscellaneous Revenue Sources**

The PHWD earns periodic revenue from timber sales and interest on investments. PHWD also receives one-time exit fees from member counties that opt to withdraw.

#### **Timber Sale Revenues**

PHWD may grow and harvest timber on properties owned within its boundaries. It typically applies timber revenue to the general operating budget. PEER previously reported PHWD generated \$1,241,806 in timber sales from FY 2014 to FY 2016. However, this revenue is not always available due to the length of time it takes for timber to grow into harvestable forest. From FY 2017 to FY 2021, PHWD generated only \$21,061, or an average of \$4,212 per year.

From FY 2017 to FY 2021, PHWD generated \$21,061 in timber sales or an average of \$4,212 per year.

Because this revenue source is only available to PHWD periodically, these funds could be used to support one-time expenses (e.g., capital outlay projects) and not operational expenses.

#### **Interest Revenue**

PHWD earned \$81,541 from interest in FY 2021. For fiscal years 2017 through 2021, PHWD earned \$458,471 in interest from its investments. PHWD typically invests its idle cash in certificates of deposit or interest-bearing checking accounts.

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<sup>5</sup> Jackson County (prior to its withdrawal from PHWD in 2017) was required to contribute to PHWD up to two-tenths of a mill of its total assessed valuation.

<sup>6</sup> Fees paid by member counties to withdraw from PHWD. See one-time exit payment discussion on page 9 for more information.

### One-time Exit Payments

If a county opts to withdraw from PHWD, MISS. CODE ANN. Section 51-15-118 (1972) requires the county to pay:

*... its portion of any PHWD bonds, contractual obligations, and any other indebtedness and liabilities of PHWD that are outstanding on the date of such county's withdrawal from PHWD.*

To date, the following counties have paid a total of \$1,812,188 in exit fees to PHWD to exit PHWD:

- FY 2016 – Lamar County – \$337,188;
- FY 2017 – Jasper County – \$125,000;
- FY 2017 – Forrest County – \$675,000; and,
- FY 2018 – Forrest County – \$675,000.

The exit fees from Forrest County also included payment for PHWD's prior office building and land. Forrest General Hospital, located adjacent to PHWD, had sought the land for future expansion. PHWD relocated to state-owned office space in south Hattiesburg. MISS. CODE ANN. Section 27-104-203 (1972) currently prohibits the Department of Finance and Administration (DFA) from charging rent for state-owned office buildings, with funding for such buildings included in DFA's appropriation bill.

Exit fees for Perry and Jackson counties have yet to be finalized.

## Major Expenditures of PHWD

**PHWD's major expenditures include the operations of its parks and recreational facilities and costs for general governmental fund operations including Works Projects Grant program allocations to member counties and payments associated with Okatibbee Reservoir water storage agreement.**

### Park and Recreational Facility Operations

Over the five-year period FY 2018 to FY 2022, PHWD expended an average of \$3.1 million per year to operate, staff, and maintain its water parks.

As noted in the discussion of revenues on page 7, PHWD spends much of its revenues on the operations and maintenance of its parks and recreational facilities (also referred to as the PHWD's enterprise operations). This includes costs for personnel, contractual services, and commodities as well as subsidies, loans, and grants.

Over the five-year period FY 2018 to FY 2022, operational costs for PHWD parks combined to average \$2,369,811. Park operating expenses rose from \$2.09 million in FY 2018 to \$2.84 in FY 2022. Furthermore, when factoring in the costs of PHWD district office support (\$613,164) and the central maintenance crew (\$117,498), park expenses, on average, exceeded \$3.1 million per year over five years.

Staffing costs comprised approximately half of total park expenses, ranging from 44.8% (\$1.503 million) in FY 2022 to 54.1% (\$1.559 million) in FY 2020. Costs for electricity, water, and sewage

increased from approximately \$575,000 (16.8% of park costs) in FY 2017 and FY 2018 to \$715,000 in FY 2022 (22.3% of park costs).

PHWD expenses the costs of park capital outlay projects and maintenance projects to the applicable park that received the project. This results in a park's expenses being more in the year the work was performed (e.g., expenses for Big Creek Water Park are more in FY 2021 due to costs to replace a storm-damaged cabin). These costs are not directly itemized under a particular project in PHWD's revenue and expense reports but are assigned to various expense codes (e.g., additions and betterments; building supplies and materials; sand, gravel, and slag; building repairs).

Additionally, PHWD pays member counties an annual maintenance fee to maintain PHWD boat ramp sites in the county. In FY 2022, PHWD paid a total of \$13,000 to four counties to maintain a total of nine boat ramp sites. These expenses are paid utilizing PHWD's ad valorem tax collections revenue, and not park revenue.

### **Governmental Fund Operations**

PHWD expended an average of \$1,160,578 per year from FY 2018 to FY 2021 to support governmental fund operations including PHWD costs related to PHWD district office operations, flood control, water management, and member county assistance. Governmental fund operations refer to PHWD's services to counties (e.g., water management and flood control programs) and are funded primarily through PHWD's receipt of ad valorem payments. General governmental fund operations costs declined from \$1,251,128 in FY 2018 to \$1,078,019 in FY 2021 (approximately \$1.75 million).

However, the \$1.75 million does not include the \$400,000 per year allocated to the Works Project Grant Program or costs related to debt service. (These costs are discussed in the next two sections).

#### **Works Projects Grant Allocations**

Using a portion of PHWD funding received from ad valorem tax collections, PHWD allocates \$400,000 per year to the Works Project Grant Program to fund county works projects. PHWD provides member counties a 50% match—up to \$25,000, on a reimbursable basis—for works projects, such as drainage and flood control projects within the counties.

PHWD permits each county to request two projects per month. PHWD allocates 50% of total PHWD funds set aside for county works projects for the first half of the fiscal year (July through December) and the remaining 50% of PHWD funds for county works projects requested in the second half of the fiscal year (January through June).

Examination of total amounts allocated from FY 2018 through FY 2022 shows that PHWD approved funding assistance (i.e., reimbursable matching grants in amounts up to \$25,000) in the amount of \$1,991,058 for 109 works projects with an estimated project cost of \$4,302,549. See Exhibit 2 on page 11 for the number of county work projects and total funding approved by county from FY 2018 through FY 2022.

## Exhibit 2: PHWD County Works Projects, FY 2018 through FY 2022

County	Fiscal Year					Total Projects	Estimated Total Cost (\$)	Amount Approved by PHWD (\$)
	2018	2019	2020	2021	2022			
Clarke	1	3	4	4	2	14	325,542	161,605
Covington	2	0	0	2	0	4	177,256	79,253
George	0	2	0	3	1	6	297,280	112,583
Greene	1	3	2	2	2	10	423,286	195,044
Jones	4	4	6	3	5	22	893,156	383,588
Lauderdale	0	2	0	0	1	3	228,917	167,110
Newton	3	4	4	3	1	15	596,248	334,058
Smith	1	1	2	2	5	11	480,100	236,397
Stone	1	2	2	5	1	11	294,668	168,798
Wayne	6	2	2	1	2	13	586,096	152,622
<b>Total</b>	<b>19</b>	<b>23</b>	<b>22</b>	<b>25</b>	<b>20</b>	<b>109</b>	<b>\$4,302,549</b>	<b>\$1,991,058</b>

SOURCE: Works Projects – Pat Harrison Waterway District.

### Expenses Associated with the Okatibbee Reservoir Water Storage Agreement

On April 23, 1965, the U.S. Army Corps of Engineers entered into an agreement for water storage space in the Okatibbee Reservoir with the Pat Harrison Waterway District as the local sponsor. As part of such agreement, PHWD agreed to pay:

In 2018, PHWD made the final annual \$48,294.70 payment to satisfy the 50-year loan for PHWD's share of constructing the Okatibbee Reservoir.

- Project Investment Costs: \$1,248,900 as its share of the construction cost, which was payable over a 50-year loan at 3.137% interest with one annual payment of \$48,294.70; and,
- Ordinary Operation and Maintenance Costs: 5.042% of the annual experienced cost of ordinary operation and maintenance costs for Okatibbee Reservoir, as determined by the U.S. Army Corps of Engineers. This amount has increased from an initial estimate of \$5,950 in 1965 to approximately \$50,000 in 2018.

In 2018, PHWD finished making loan payments for project investment costs. PHWD made ordinary operation and maintenance cost payments through 2018. In 2019, PHWD stopped making annual operation and maintenance cost payments and is in default, per Article 8 of the agreement. Article 8 of the Okatibbee water storage contract states that *in the event the [PHWD] refuses or fails to comply with the provisions of this contract with respect to payments and transfer and assignment, the [U.S. Army Corps of Engineers] reserves the right to terminate the contract.*

On June 14, 2022, following meetings with the U.S. Army Corps of Engineers-Mobile District, PHWD wrote to the Corps stating the following:

*... PHWD recognizes that the non-payment of annual operation and maintenance costs since August of 2018 constitutes a default on this agreement, as per Article 8, and requests a release letter from the Corps of Engineers of any and all outstanding operation and maintenance invoices as well as termination of the Contract.*

PHWD is working with the U.S. Army Corps of Engineers-Mobile District to terminate future payments for operation and maintenance cost. The termination agreement must be approved by the Secretary of the Army, which had not occurred as of November 7, 2022.

The water storage lake was built primarily to support future population growth and economic development in Lauderdale County, which did not materialize. As a result, neither Meridian or Lauderdale County has had to purchase water from the Okatibbee Reservoir to support the dam. The PHWD reported only using the Okatibbee Reservoir once as a water storage facility; during the Pascagoula River drought of record (year 2000), the PHWD released a total of approximately 32,892 acre-feet of its allotted water storage over three different periods to try to maintain the Pascagoula River's minimum flows.

## Profitability of PHWD Parks

**Over a five-year period, FY 2018 to FY 2022, PHWD parks averaged an annual net loss of \$233,964 per year, including parks-related expenses associated with PHWD office and central maintenance crew. When excluding such expenses, six of PHWD parks generate a positive return, while two parks have incurred losses each year dating back to FY 2015. PHWD parks annually receive a transfer from county ad valorem tax collections revenue to support operations.**

PEER reviewed the profits and losses for PHWD parks from FY 2018 through FY 2022. See Exhibit 3 on page 13 for the profits and losses for each of the parks within PHWD, as well as the costs attributed to district office recreational fund expenses and central maintenance crew expenses from FY 2018 through FY 2022.

When examining the gross income and expenditures, including both PHWD office costs and maintenance costs, the parks operated at a loss in four of the five fiscal years reviewed. In FY 2022 this loss totaled \$310,104. Over the five-year period, the loss averaged \$233,964 per year. PHWD parks annually receive a transfer (typically around \$400,000 per year) from county ad valorem tax collections revenue to support park operations.

To determine an individual park's profitability, PEER utilized a five-year average, exclusive of maintenance and district support operations not directly allocated to the park. Over a five-year period, six of PHWD's parks generated positive net income. The district's largest park (Flint Creek) was the most profitable park. The district's second most profitable is leased, meaning PHWD generates lease revenue and incurs minimal operating expenses. Dunn's Falls, PHWD's only day-use park, breaks even.

In contrast, two parks operated at a loss. Dry Creek Water Park incurred a net loss each year since FY 2015, except FY 2021. Okatibbee Creek Water Park incurred a net loss every year since FY

2015. Since 2017, PHWD has reduced the acreage of the Okatibbee Creek Water Park from 350 acres to 250 acres (including closing off part of the day-use area) and demolished the former motel and water park.

### Exhibit 3: Net Income for PHWD Parks, FY 2018 through FY 2022

Park	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Average
Flint Creek	\$483,909	\$530,903	\$355,361	\$729,875	\$522,723	\$542,555
Little Black Creek	75,087	79,922	79,973	68,322	79,397	76,540
Big Creek	13,179	(45,846)	33,826	175,771	37,587	42,904
Archusa Creek	44,356	(10,525)	11,873	15,462	101,825	32,598
Turkey Creek	144,332	1,951	12,916	(9,971)	(6,789)	28,488
Maynor Creek	12,643	(6,836)	96,835	25,930	(85,418)	8,631
Dunn's Falls	15,519	11,393	5,121	5,044	(13,448)	4,726
Dry Creek	(52,102)	(14,543)	(6,983)	3,272	(23,300)	(18,371)
Okatibbee Creek	(131,750)	(205,104)	(210,205)	(157,603)	(310,306)	(202,993)
<b>Parks Total</b>	<b>\$605,173</b>	<b>\$341,315</b>	<b>\$317,007</b>	<b>\$856,102</b>	<b>\$302,181</b>	<b>\$496,698</b>
District Office Expense	759,203	667,216	623,036	614,254	402,112	613,164
Maintenance Crew Expense	65,702	102,380	72,690	136,547	210,173	117,498
<b>Net Income</b>	<b>(\$219,732)</b>	<b>(\$428,281)</b>	<b>(\$317,007)</b>	<b>\$105,302</b>	<b>(\$310,104)</b>	<b>(\$233,964)</b>

SOURCE: Profit and Loss Statements, as provided by Pat Harrison Waterway District.

## PHWD's Management and Use of the Cash Reserve Fund

As of June 30, 2022, PHWD had \$11,155,002 in cash reserves, of which approximately \$9.1 million were unrestricted cash reserves. Although best practices suggest there are benefits to having a reserve fund (e.g., maintaining a loss reserve or a sink fund to cover large, unplanned projects), especially for a park system, PHWD has not followed best practices because it has not outlined PHWD's intent for these funds or established a policy regarding PHWD's use of reserve funds.

When PHWD does not expend its annual revenues, it may retain the funds for use in future fiscal years. Although not required legally to maintain a reserve fund, PHWD Executive Director, Comptroller, and Board of Directors have taken the position that the reserve fund should be "restricted" for future obligations of PHWD, primarily for years of a shortfall due to declining revenues.

### PHWD's Current Cash Reserves

As of June 30, 2022, PHWD had cash reserves totaling \$11,155,002,<sup>7</sup> which includes \$2,088,289 in cash set aside to pay counties upon the completion of county works projects. At the close of FY 2022, PHWD held \$9,066,713 in unrestricted cash reserves to support future operations (see Exhibit 4 on page 14).

As previously noted, PHWD awards works projects grants each year to its member counties. PHWD does not have a policy requiring counties receiving works project grants to utilize these funds within a specified period or forfeit the grant funds. The Board takes the position that funds awarded are available for reimbursement for the full amount at any time. For example, if a county were awarded a works project grant in 2010, and has not requested reimbursement for expenditures related to the grant award, the county can still seek reimbursement for allowable expenditures. These funds are also one of the components used to calculate a withdrawing member's share of district liabilities. PHWD grant commitments amounted to \$2,088,289 as of June 30, 2022.

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#### Exhibit 4: PHWD Cash on Hand, FY 2017 through FY 2022

Fiscal Year	Cash Balance (\$)	Allocated to Works Projects Payable <sup>1</sup> (\$)	Unrestricted Cash Reserves (\$)
2016	8,483,505	1,905,349	6,578,156
2017	8,714,983	1,864,074	6,850,909
2018	9,324,121	1,839,894	7,484,228
2019	9,685,425	1,997,727	7,687,697
2020	9,884,072	2,103,028	7,781,044
2021	10,774,521	2,272,719	8,501,802
2022	11,155,002	2,088,289	9,066,713

1. Outstanding county works projects. The district does not have a policy requiring counties receiving works project grants to utilize within a specified period, or forfeit said grant funds.

**SOURCE:** PEER analysis of information from Pat Harrison Waterway District.

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PEER also analyzed PHWD's monthly cash balances for two fiscal years to assess the extent to which cash reserves rise and decline during the year. Because PHWD has completed some of its peak park revenue months from April through June, PHWD's cash balance and thus cash reserves are higher at the end of the fiscal year (June 30). Over the period FY 2021 to FY 2022, PEER found PHWD's cash balance was lowest at the end of December,<sup>8</sup> following the slower fall and early winter period for PHWD parks. This resulted in the mid-year cash balance for the next fiscal year

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<sup>7</sup> PEER notes that PHWD has a history of carrying significant year-end cash balances. In its 2017 report *A Financial Viability Review of the Pat Harrison Waterway District*, PEER found that PHWD's year-end cash balance had increased to \$8,483,505 as of June 30, 2016.

<sup>8</sup> PHWD cash balance was \$9,448,610.81 on December 30, 2021 (midpoint FY 2022) and \$9,762,119.18 on December 30, 2022 (midpoint FY 2023).

being approximately \$1,000,000 lower at the midpoint of FY 2022 than the reported FY 2021 year-end figure.

As part of its monthly cash balance reports submitted to the Board of Directors, PHWD reports its current cash balance, and the cash balance less funds available as of October 2011, the date in which the first county (i.e., Lamar County) withdrew from PHWD. Beginning in March 2021, PHWD also began including on its monthly cash balance report the cash balance after deducting funds received from the sale of PHWD’s building and sale of timber. PHWD cash balance, less funds held as of October 2011 and funds from the sale of the building and timber, had increased \$821,882 as of October 2021. Exhibit 5 on page 15 shows the changes in the PHWD monthly cash balance during the period FY 2021 through FY 2022.

**Exhibit 5: Change in PHWD Monthly Cash Balance, June 2021 to June 2022<sup>1</sup>**

FY 2021		FY 2022	
Month	Balance (\$)	Month	Balance (\$)
July	10,346,567	July	10,740,375
August	10,252,051	August	10,566,127
September	9,968,293	September	10,400,154
October	9,751,791	October	10,138,279
November	9,622,547	November	10,026,219
December	9,448,611	December	9,762,119
January	9,516,860	January	9,984,997
February	9,752,855	February	10,051,756
March	10,357,515	March	10,597,688
April	10,539,100	April	11,262,205
May	10,705,684	May	11,164,461
June	10,744,521	June	11,155,002

1. Cash balance statements are based on the balance at the end of the month (i.e., June 30).

**SOURCE:** PEER analysis of information from Pat Harrison Waterway District.

**Best Practices for Management of and Use of a Cash Reserve Fund**

In interviews with PHWD staff and Board members, PEER found PHWD does not have a formalized utilization plan for the management and use of PHWD’s cash reserve fund. Further, PHWD does not maintain a written use policy guiding how and when the reserve fund should be utilized and for what purposes.

PEER researched best practices concerning management of and utilization of a cash reserve fund, particularly in managing park systems. The DFA Deputy Executive Director with responsibilities for capital facilities stated that it would be prudent, when planning for parks, to have a reserve fund or sinking fund to cover lost revenue or a significant unplanned expenditure that inhibits operation (e.g., emergency water and sewer infrastructure repair).

Although PEER found state policies for how a state government entity shall maintain financial compliance, these policies did not discuss how an entity that is permitted to carry a reserve fund

and utilize such funds for future use shall plan for, manage, and utilize such funds. The New York State Office of the Comptroller suggested best practices for reserve fund maintenance for small government agencies include the following:

- maintain a reasonable fund balance;
- establish clear intent;
- maintain a utilization plan; and,
- develop a written use policy.

The New York State Office of the Comptroller suggests maintaining a reasonable fund balance in case such funds are needed to cover unforeseen expenditures or revenue shortfalls.

### **PHWD Compliance with Best Practices Regarding Managing the Cash Reserve Fund**

In interviews with PHWD staff and Board members, PEER found PHWD does not have a formalized utilization plan for the management and use of PHWD's cash reserve fund. Further, PHWD does not maintain a written policy guiding how and when the reserve fund should be utilized and for what purposes.

Although PHWD does maintain a \$9 million reserve fund (excluding liabilities) that has increased each year since FY 2013<sup>9</sup> (in part due to one-time revenues), neither PHWD staff nor its Board have determined how much of the reserve fund is allocated to covering:

- emergency or otherwise unforeseen expenditures;
- revenue shortfalls; or,
- capital outlay projects.

Beginning in March 2021, PHWD began including on its monthly cash balance report the cash balance after deducting funds received from the sale of PHWD's building and sale of timber. As of June 2022, PHWD had \$1,631,365 in its building fund and \$1,250,000 in its timber fund. PHWD staff has indicated a preference to retain the building fund money for use to purchase office space in the event the state begins requiring state office leaseholders to pay rent again or its lease with the state (DFA) is not renewed. Absent a formal plan, PHWD staff stated the Board has internally stated its goal is to allocate the timber fund revenues to resurface park roads.

## **PHWD Net Financial Position**

**From FY 2017 to FY 2021, the PHWD's net financial position increased by \$1,503,988.**

Based on an analysis of PHWDs' audited financial statements for FYs 2017 through 2021, PEER determined that PHWD's net financial position increased by \$1,503,988, as shown in Exhibit 6 on page 17. This figure includes \$1.475 million of one-time money as payments for counties exiting PHWD (\$1.35 million from Forrest County and \$125,000 from Jasper County), approximately

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<sup>9</sup> The reserve fund exceeds \$9,000,000, after excluding cash allocated to liabilities related to the county works program.

\$20,000 in insurance proceeds for a wrecked vehicle, and \$274,300 as compensation for the loss of a cabin during FY 2021.

The change in PHWD’s net financial position results from net changes in its Governmental and Enterprise funds. Governmental Funds include PHWD’s receipt of ad valorem payments. Enterprise Funds include revenue from PHWD’s operation of its parks, which are supported by charging for goods and services, and revenue from PHWD’s timber sales.

**Exhibit 6: PHWD Year-end Fund Balances and Changes in Net Financial Position, FY 2017 through FY 2021**

<b>Fund Type</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>Total</b>
Governmental Funds	\$264,009	\$777,079	\$455,243	\$183,219	\$129,178	\$1,808,728
Enterprise Funds	(\$103,598)	(\$128,594)	\$45,143	(\$261,916)	\$144,225	(\$304,740)
<b>Total Fund Change</b>	<b>\$160,411</b>	<b>\$648,485</b>	<b>\$500,386</b>	<b>(\$78,697)</b>	<b>\$273,403</b>	<b>\$1,503,988</b>

SOURCE: Pat Harrison Waterway District.

The net change in PHWD’s financial position has been positive in four of the last five fiscal years. However, PHWD has yielded a positive net change in position only because of various one-time revenues, such as exit fee payments from Forrest County and Jasper County, insurance proceeds, and donated assets. PHWD operated at a net loss when excluding these one-time revenue sources.

# How does PHWD plan for and allocate funds for capital outlay projects?

This chapter examines the following:

- assessment of PHWD efforts to plan for capital outlay projects;
- determining PHWD capital outlay priorities/needs;
- PHWD expenditures for capital outlay projects and maintenance; and,
- an update on George County and Smith County Lake development projects.

## Assessment of PHWD Efforts to Plan for Capital Outlay Projects

PHWD Board of Directors must authorize capital outlay projects of \$5,000 or more. Although the PHWD Board of Directors informally identifies project priorities based on Board member input (e.g., effort to resurface park roads), the Board has not developed a five-year plan documenting the Board's priority projects (and their projected costs), as required by MISS. CODE ANN. Section 51-15-119 (2) (1972). The PHWD budget available for capital outlay projects is limited, in part because the parks operate at a loss. PHWD has not taken formal steps to outline a plan for use of its reserve fund, which has been elevated by the influx of one-time funds (e.g., exit fees, timber sales).

PEER defines capital outlay projects as projects in which PHWD allocated costs specifically to the project. Examples include road resurfacing, building new cabins, or specific projects funded by federal or state matching funds (e.g., development of Flint Creek Horse Trail or improvements to Little Black Creek Dam). PHWD maintenance costs include costs of work in which PHWD maintenance crew and/or park staff are implemented. This may include:

- traditional capital outlay projects for which PHWD did not report a specific cost for the project (e.g., addition of 42 campsites at five parks over six years);
- maintenance projects (e.g., fixing pipe leaks, grounds maintenance); and,
- routine cabin maintenance (e.g., changing light bulbs, fixing toilets, replacing AC filters, winterizing exposed pipes).

### PHWD Approval of Capital Outlay Projects and Maintenance Expenditures

The PHWD Board of Directors must authorize all PHWD expenditures of \$5,000 or more, including the approval of capital outlay projects or significant maintenance projects.

The PHWD Board of Directors must authorize all PHWD expenditures of \$5,000 or more, including the approval of capital outlay projects or significant maintenance projects. PHWD Executive Director, Comptroller, or Parks

Director must approve all requisition requests<sup>10</sup> \$500 or more. Requisition requests for less than \$500 may be approved by additional members of PHWD district office staff. Park managers do not have their own budget or spending authorization. Requisition requests may be submitted by on-site park staff, members of PHWD central maintenance crew, or PHWD district office staff.

The Board has not established formal consideration criteria for projects. Instead, all projects suggested by the staff and other Board members are considered by the Board. The Board then approves projects on a case-by-case basis without any formal prioritization. The Board's approval process relies on communications with PHWD and park staff. Employees make requests for projects based on perceived immediate needs of the staff and public.

### **Compliance with MISS. CODE ANN. Section 51-15-119 (2) (1972)**

Per MISS. CODE ANN. Section 51-15-119 (2) (1972), the PHWD Board of Directors:

*... shall annually prepare a five-year plan containing a prioritized list detailing the purposes, goals and projected costs of projects which it intends to implement or is in the process of implementing and shall file such plans with the clerk of the board of supervisors of each member county on or before July 15 of each year.*

In interviews with PEER, PHWD staff members stated they have not developed the five-year plan as required in MISS. CODE ANN. Section 51-15-119 (2) (1972). PHWD staff reported annually submitting a five-year strategic plan as part of the annual budget process. This document is entitled *PHWD Five-Year Strategic Plan for FY 2024 to FY 2028*.

PEER found that the PHWD Board of Directors has not complied with the MISS. CODE ANN. Section 51-15-119 (2) (1972) requiring the Board to annually prepare a five-year plan containing a prioritized list detailing the purposes, goals, and projected costs of projects which it intends to implement or is in the process of implementing.

The *PHWD Five-Year Strategic Plan for FY 2024 to FY 2028* does not contain a prioritized list detailing the purposes, goals, and projected costs of projects that it intends to implement or is in the process of implementing, as required under MISS. CODE ANN. Section 51-15-119 (2) (1972).

The absence of a prioritized capital outlay and maintenance plan could:

- lead to reactionary decision-making;
- impede staff efforts to proactively procure additional state or federal funding; and,
- hinder efforts to manage PHWD's cash reserve fund.

For example, if PHWD identified its capital outlay priority needs, PHWD staff could more proactively seek Land and Water Conservation Fund grants or other state or federal funding to address relevant needs. Land and Water Conservation Fund grants could be utilized for park maintenance and capital outlay projects, including:

- campsite renovations;
- electrical, water, and sewer infrastructure; and,

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<sup>10</sup> A request for goods or services made by an employee to the person or department in a company that is responsible for purchasing. If the request is approved, that entity will submit a purchase order to a supplier for the goods or services.

- road resurfacing projects (if connecting to outdoor facilities or campgrounds).

Land and Water Conservation Fund grants for facilities, such as cabins, lodge halls, and office space are restricted, although funding can be obtained for things such as exterior cabin work (e.g., replacing cabin decks, roof, or siding). PHWD may also have more success in requesting state bond funding or capital expense funds if PHWD could document that the requested funds were part of a cohesive, long-term capital outlay plan. Additionally, requests for grant funds require planning, due to the grant application timelines and funding availabilities.

### **Efforts by PHWD to Plan for Capital Outlay and Maintenance Projects**

PHWD staff developed a capital infrastructure plan in 2015 and updated it in 2017 and 2020.

PEER interviewed PHWD staff regarding efforts to plan for capital outlay projects, the Board's role in such efforts, and how PHWD staff and the Board of Directors allocate funding for capital outlay projects and maintenance. Although PHWD develops and

updates a capital infrastructure plan that generally lists and assigns a dollar estimate value for each capital outlay project (\$25-30 million in total projects), the plan lacks specificity regarding the work to be done and prioritization of needs.

PHWD staff developed a capital infrastructure plan in 2015 and updated it in 2017 and 2020. The primary difference between the 2017 plan and the 2020 plan was the cost; the plan format and projects listed stayed the same. PHWD staff attributed the cost difference to issues related to deferred maintenance of facilities and inflation. See Appendix D on page 35 for PHWD's capital infrastructure plan, with costs for 2017 and 2020.

PHWD's central maintenance crew developed the capital infrastructure plan. The maintenance crew stated it estimated costs utilizing best-guess estimates and phone calls to vendors to estimate pricing. These estimates were not based on detailed specifications of work to be done, but a broad descriptor. For example, the maintenance crew estimated that renovating 21 cabins at Flint Creek Water Park would cost a total of \$420,000. However, there is no detail as to what Flint Creek Water Park cabin renovation work might be done for an average cost of \$20,000 per cabin.

PHWD has not contracted to do an architectural study of the parks. PHWD could seek assistance from the Department of Finance and Administration Bureau of Building, Grounds, and Real Property Management (DFA BOB) to review park facilities.<sup>11</sup> DFA BOB could conduct an architectural study similar to the one it did for four state parks (i.e., J.P. Coleman, Paul B. Johnson, Percy Quin, and Roosevelt state parks) in 2012.

As part of the new 10-year lease for Okatibbee Creek Water Park, PHWD and Corps of Engineers – Mobile District developed the "Okatibbee Lake Park Five-Year Development Plan for FY 2020 to FY 2025" (Development Plan). One of the requirements of the lease agreement is for PHWD to submit an annual Plan of Operation and Maintenance to the Corps of Engineers – Mobile District by January 15 of each year including but not limited to a proposed budget and minor or major obligations to the Development Plan. As of November 16, 2022, PHWD had not completed and submitted such a plan to the Corps. Annual plans would have been due in January 2021 and January 2022, following August 20, 2020, signatory date of the lease agreement.

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<sup>11</sup> PHWD generally falls outside of the jurisdiction of the DFA BOB since its capital outlay projects are funded with self-generated or grant funds, and not general fund or general-obligation bond funds.

## Determining PHWD Capital Outlay Priorities/Needs

Absent a ranked priority system, PEER looked to the priorities of Board members and staff. PEER reviewed these priorities in light of the standards DFA BOB uses in assessing priorities for projects funded through bond funds and external funds. For projects under DFA BOB, pursuant to MISS. CODE ANN. Section 31-11-27 (2) (1972), DFA establishes criteria it utilizes to rank the priority of capital outlay projects, identifying repair and renovation of existing buildings as its top priority.

Absent a ranked priority system, PEER consulted DFA BOB to determine criteria for determining capital outlay and maintenance priorities. PEER also interviewed PHWD staff and members of the PHWD Board of Directors to determine what PHWD's most pressing capital outlay needs are.

### Criteria for Determining Priorities

PEER interviewed the DFA BOB as to criteria for planning for capital outlay projects. PHWD projects generally fall outside DFA BOB jurisdiction. DFA stated that to meet its requirements pursuant to MISS. CODE ANN. Section 31-11-27(2) (1972), it ranks capital projects utilizing the following order to determine its priority:

DFA BOB recommends annually expending an amount equal to 1.5% to 3.0% of total asset replacement value on repair and renovation expenditures, identifying such as its top ranked priority and new construction as its lowest ranked priority.

1. IA – Repair and renovation of occupied buildings and infrastructure to maintain assets and make them more efficient and effective. "A" denotes there is a health, safety, or welfare issue or higher risk if work is deferred (e.g., elevator repair; electrical issue; broken water main to campground).
2. IB – Repair and renovation of occupied buildings and infrastructure to maintain assets and make them more efficient and effective. "B" denotes there is not a known health, safety, or welfare issue if work is deferred (e.g., roof replacement; kitchen renovation; replacing cabin carpet).
3. II – Replacement of buildings that are needed but are NOT feasible to renovate.
4. III – Restoration of unoccupied buildings that are needed and are feasible to renovate.
5. IV – Demolition of buildings that are NOT needed and/or NOT feasible to renovate.
6. V – Construction of new buildings that are identified by institutions/agencies as necessary for support of new and/or expanded program.

DFA BOB, citing its annual "Repair and Expenditures Report," stated it would be prudent to annually expend an amount equal to 1.5% to 3.0% of total park asset replacement value (i.e., cost to replace PHWD park assets) on deferred maintenance, following the nationally recognized APPA benchmark. DFA BOB annually utilizes these criteria to assess the amount spent by universities, community colleges, Mississippi Department of Wildlife, Fisheries, and Parks, and Mississippi Department of Corrections on repair and renovation expenditures. DFA BOB's annual "Repair and Expenditures Report," further states:

*The building assets of any agency that is not expending at least 1.5% of the replacement value of the building inventory under their operation and control annually are at significant risk of deterioration and premature loss. As such, any requests for new buildings aside from building replacements where existing facilities are no longer feasible to renovate, should be deferred until such time that this minimal level is achieved.*

Further, each new building or other new park asset (campsites, trails, etc.) increases future maintenance and repair costs. As discussed on page 18, it is unknown how much PHWD spends on maintenance and capital outlay projects. Therefore, it is unknown how PHWD compares with DFA BOB's recommended 1.5% to 3.0% benchmark.

### **PHWD Board of Directors Capital Outlay Priorities**

PEER interviewed PHWD staff and members of the Board of Directors to ascertain what PHWD's capital outlay needs and priorities are. Over the period FY 2015 to FY 2022, PHWD Board of Directors authorized road resurfacing projects at four parks, new bunkhouses at two parks, a new primitive campground at one park, a new horse trail, and a new ATV trail<sup>12</sup> as well as renovations/repairs to two bathhouses and one lodge hall.

Both PHWD Board members and staff identified issues related to park infrastructure (e.g., repairing/replacing water lines and updating electrical infrastructure) and revenue-generating areas (e.g., modernizing to accommodate RVs, cabins maintenance, and RV-traveled park roads).

In phone interviews, Board members identified the following priority project categories when asked to rank PHWD's most pressing capital outlay priorities (listed in order of frequency):

- resurface park roads;
- improve existing and construct new campsites;
- improve park infrastructure (including bathhouses);
- facilities maintenance; and,
- dam maintenance and if necessary, dam repair or modification, as required by Mississippi Department of Environmental Quality.

In addition to the above core needs, Board members also discussed items like cabin renovations, construction of new maintenance storage at parks, and maintenance equipment improvements. However, Board members did not express an interest in formalizing a list of priority projects.

The PHWD Executive Director noted one of the main issues recently at Board meetings has been the condition of PHWD park roads. PHWD Board of Directors funded road resurfacing projects at Archusa Creek Water Park in 2019 at a cost of \$103,460 and at Maynor Creek Water Park at a cost of \$109,154. PHWD staff noted these projects are costly but are a priority due to the increased usage of the parks by RVs. PHWD staff noted PHWD has partnered with counties to reduce PHWD's cost for road resurfacing projects, whereas PHWD buys the materials, and the county performs the work. PHWD cited Lauderdale County (Okatibbee Water Park) and Newton County (Turkey Creek Water Park) as examples of such partnerships.

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<sup>12</sup> The horse trail and ATV trail projects were in part funded by federal matching grants.

### PHWD Staff Capital Outlay Priorities

PEER asked PHWD staff to identify the five most pressing capital outlay project needs. PHWD staff primarily cited maintenance needs and/or projects that impacted revenue (i.e., projects that impacted cabin and camping revenue, including accommodating modern RVs) or expenses (water leaks). In no particular order, PHWD staff identified the following needs:

- Evaluate and redo each park's water lines – PHWD Comptroller cited concerns that PHWD may be losing money due to water leaks in infrastructure. PHWD's water bill tends to cost approximately \$150,000 a year.
- Resurface roads at each park – Priority would be given to roads frequently used by RVs (i.e., entrance road; road to campsites and dump stations).
- Upgrade electrical wiring, specifically at the campsites, to accommodate modern RVs (i.e., 50-amp electrical hookups).
- Address repairs and maintenance needs related to deferred maintenance on cabins – This would include painting, replacing and repairing decks, flooring, insulation, and outdoor furniture, updating cabin furnishings, etc. Some cabins also have foundation issues that need to be addressed.
- Renovate or rebuild existing bath houses with priority given to the bathhouses at Flint Creek or build new ones. According to PHWD staff, the bathhouses were not designed to last 55 years (because of the particular type of piping used).

PHWD staff stated dam and lift station projects are low on its priority list unless mandated by Mississippi Department of Environmental Quality. The Mississippi Department of Environmental Quality currently requires PHWD to implement projects to bring three dams into compliance, as discussed on pages 26 through 28.

Future dam maintenance costs, coupled with limited annual funding available for park capital outlay, pose a challenge to future capital outlay investment.

## PHWD Expenditures for Capital Outlay Projects and Maintenance

**PHWD separately tracks project costs for some capital outlay projects, but not all capital outlay projects. These costs are intermingled among several expenditure categories associated with the state budgeting process (e.g., commodities, contractual services, equipment).**

PEER defines capital outlay projects as projects in which PHWD allocated costs specifically to the project. Projects may include road resurfacing, building new cabins, or specific projects funded by federal or state matching funds (e.g., development of Flint Creek Horse Trail or improvements to Little Black Creek Dam). Expenses associated with maintenance are allocated to various expense categories and may include project costs for some projects, but not all capital outlay projects.

## PHWD Does Not Track Total Costs for Capital Outlay Projects and/or Maintenance Expenditures

According to the PHWD Comptroller, PHWD typically budgets \$300,000 per year for capital outlay expenditures, including new projects, repair/renovation projects, and maintenance projects. However, PHWD does not track the PHWD's total expenditures (cost) for capital outlay projects and maintenance expenditures.

This is in part because PHWD utilizes the state budgeting expenditure categories. While there is a capital outlay expenditure category, there is no "maintenance" expenditure category. According to the PHWD Comptroller, the state budget process divides maintenance expenditures into separate major and minor object categories (e.g., commodities, capital outlay, personal services) that overlap with non-maintenance expenditures.

PHWD budgets for capital outlay, commodities, and personnel. All three state budget categories could be used for capital outlay projects; commodities, personnel, and capital outlay equipment could be used for maintenance/repair projects.

PEER estimated PHWD's maintenance and capital outlay expenditures for FY 2015 to FY 2022 utilizing information from PHWD's budget request. Utilizing PHWD's expense reports, PEER also included the labor costs for PHWD's central maintenance crew (see Exhibit 7 on page 24). PEER cautions not all of these expenditures were for capital outlay projects or maintenance projects.

## **Exhibit 7: Estimated PHWD Capital Outlay and Maintenance Expenditures, FY 2015 to FY 2022**

Fiscal Year	Equipment (\$)	Vehicle (\$)	Total (\$) Other than Equipment	Total Capital Outlay (\$)	Commodities <sup>1</sup> (\$)	Maintenance Crew Labor Costs (\$)	Total (\$)
2015	24,766	0	68,033	92,799	476,046	15,603	584,448
2016	57,225	69,677	0	126,902	445,589	44,858	617,349
2017	48,968	0	0	48,968	402,897	36,981	488,846
2018	90,858	0	186,139	276,997	425,799	30,356	733,152
2019	95,721	23,134	163,482	282,337	439,534	52,143	774,014
2020	75,964	0	174,117	250,081	401,484	32,001	683,566
2021	17,295	72,270	47,442	137,007	558,636	34,349	729,992
2022	165,414	1,690	198,598	365,702	648,734	31,088	1,045,524

NOTE: PEER estimated PHWD's maintenance and capital outlay expenditures for FY 2015 to FY 2022 utilizing applicable information from PHWD's budget request. Utilizing PHWD's expense reports, PEER also included the labor costs for PHWD's central maintenance crew.

1. Excludes office supplies.
2. Budgeted amount listed in PHWD's FY 2023 and FY 2024 budget requests.

**SOURCE:** Information obtained from Pat Harrison Waterway District budget requests for fiscal years 2015 to 2024.

## PHWD-Reported Capital Outlay Project Expenditures

PHWD provided PEER the costs for PHWD capital outlay projects in which it had cost totals for (as shown in Exhibit 8 on page 25).

## Exhibit 8: PHWD Capital Outlay Projects, FY 2015 to FY 2022

Fiscal Year	Project	Project Cost (\$)	Total Project Cost by Fiscal Year (\$)
2015	Resurface Okatibbee Creek Water Park roads.	68,033	68,033
2016	No capital outlay projects reported.		-0-
2017	Renovate Archusa Creek Water Park Lodgehall. <sup>1</sup>	45,922	45,922
2018	No capital outlay projects reported.		-0-
2019	Add new horse trail at Turkey Creek Water Park. <sup>2</sup>	239,161	342,621
	Resurface Archusa Creek Water Park roads.	103,460	
2020	Build two new bunkhouses at Turkey Creek Water Park (\$23,123 each).	46,246	245,232
	Build two new bunkhouses at Archusa Creek Water Park (\$15,705 each).	31,411	
	Add new ATV Trail at Maynor Creek Water Park. <sup>3</sup>	151,575	
	Build primitive group campground at Turkey Creek Water Park.	16,000	
2021	Rebuild Big Creek Water Park Cabin #2. <sup>4</sup>	274,300	396,167
	Resurface Maynor Creek Water Park roads.	109,154	
	Repair Dry Creek Water Park bathhouse.	8,652	
	Repair Maynor Creek Water Park bathhouse.	4,061	
2022	No capital outlay projects reported.		-0-
<b>Total</b>			<b>\$1,097,975</b>

Fiscal Year	Future Projects	Project Cost (\$)	Total Project Cost by Fiscal Year (\$)
2023	Develop Flint Creek Horse Trail. <sup>5</sup>	Est. \$500,000	Est. \$500,000
2024	Modify and rehabilitate Little Black Creek Dam. <sup>6</sup>	Est. \$680,000	Est. \$680,000
TBD	Repair Dry Creek Dam to correct conditions resulting in unsatisfactory assessment. <sup>7</sup>	Cost TBD	Cost TBD
TBD	Upgrade the spillway capacity for Big Creek Dam to meet regulations for high hazard dams. <sup>8</sup>	Cost TBD	Cost TBD (Est. \$750,000 to \$1,000,000)

1. Project began in FY 2017 and was completed in FY 2018.
2. Includes 75% in PHWD Funds and 25% in Land Water Conservation Fund funds as reimbursable matching grant for project.
3. Includes 75% in PHWD Funds and 25% in Land Water Conservation Fund funds as reimbursable matching grant for project.
4. Significantly damaged during 2020 tornado that hit Big Creek Water Park. PHWD received \$274,300 from DFA to cover storm damage costs, with PHWD utilizing part of the funds to rebuild the cabin.
5. Includes 80% of costs, up to \$400,000, in federal funds through the Federal Transportation Alternative Program. Funding is available on a reimbursement basis. In-kind funds (i.e., non-monetary contribution including goods or services such as PHWD labor and equipment) may comprise some of PHWD's portion of the costs.
6. Includes up to \$287,000 in funding from the Mississippi Dam Safety Fund. Funding is available on a reimbursement basis. The work is required by Mississippi Department of Environmental Quality, following findings during the dam's five-year inspection. In-kind funds may comprise some of PHWD's portion of the costs.
7. Primarily involves removing sediment to permit the dam's outlet pipes to drain properly and without obstruction along with maintenance activities (i.e., establishing grass cover to prevent tree growth/erosion and repairing seepage spots).
8. Required since 2017. Due to delays in formally requesting support funding and proceeding with Big Creek Dam improvements, PHWD runs the risk of having to fund the dam improvements to Big Creek Dam at 100%, without any state or federal support. PHWD's capital infrastructure plan includes a cost of \$750,000 to \$1,000,000 to upgrade the dam to high hazard requirements and upgrade concrete spillway.

**SOURCE:** Information obtained from Pat Harrison Waterway District.

However, during the year PHWD may pursue capital outlay projects that primarily utilize PHWD maintenance crew to conduct the work and materials and equipment available to PHWD (e.g., park lumber). These project-related costs are not itemized by capital outlay project but instead reported amongst PHWD expenditure categories.

For example, PHWD reported completing three projects at Okatibbee Creek Water Park as part of the "Okatibbee Lake Park Five-Year Development Plan for FY 2020 to FY 2025".

- FY 2020 – demolition of the Okatibbee motel;
- FY 2020 – demolition of the Okatibbee water slide park and its associated support building; and,
- FY 2021 – repair of the Okatibbee park manager's residence.

PHWD reduced the cost of the demolition work by utilizing its maintenance department to do the demolition and removal work. PHWD did pay \$8,740 to Shumate Construction to remove asbestos from the Okatibbee Motel prior to its demolition by PHWD maintenance department. Lauderdale County removed the motel debris. PHWD reported buying sheetrock and other materials to repair the Okatibbee Creek Water Park manager's residence but did not track project costs. PHWD utilized its maintenance department to perform the repair work.

Additionally, PHWD utilized its central maintenance crew, PHWD materials, and PHWD equipment to add 42 campsites at five of its nine parks between FY 2016 and FY 2022:

- Dry Creek Water Park – 6 new pull-through RV campsites in February 2017;
- Maynor Creek Water Park – 10 new campsites in November 2019;
- Turkey Creek Water Park – 10 new campsites in March 2020;
- Archusa Creek Water Park – 8 new pull-through RV campsites in February 2022; and,
- Flint Creek Water Park – 8 new campsites in June 2021.

PHWD district office crew plans to build 10 new pull-through RV campsites at Big Creek Water Park. PHWD last reported adding campsites at Big Creek Water Park in March 2009, when it added seven new campsites. According to PHWD staff, PHWD has not added any campsites to Dunn's Falls Water Park but has explored offering primitive camping. PHWD staff stated PHWD decreased the number of available campsites at Okatibbee Creek Water Park from 105 to 83.

### **County Works Projects**

As previously noted, PHWD awards \$400,000 per year to fund its county Works Projects Grant program. PHWD generally only allocates funding to these projects and not the use of its central maintenance crew. PHWD staff stated its central maintenance crew is usually not utilized to perform county works projects, except in rare instances. PHWD staff stated this is primarily due to PHWD central maintenance crew's existing workload supporting PHWD parks.

### **Maintenance of Dams**

The Mississippi Department of Environmental Quality Division of Dam Safety regulations require inspection of PHWD's five high-hazard dams annually by PHWD staff and by a professional engineer once every five years. The Mississippi Soil and Water Conservation

PHWD would expend an average of \$9,000 per year to have a professional engineer inspect its five high-hazard dams once every five years.

Commission assists PHWD with its annual owner inspections of the dams by providing necessary staff and equipment. The Mississippi Department of Environmental Quality requires PHWD to conduct an annual, written owner inspection of its two low-hazard dams, but the results do not have to be submitted to the Mississippi Department of Environmental Quality since a dam breach would not be expected to cause an impact on structures, loss of life, or property.

The cost incurred by PHWD to have a professional engineer inspect its five high-hazard dams varies. PHWD paid Walker Engineering \$8,260 to inspect the dam at Little Black Creek in January 2017 and \$8,550 to inspect the dam at Big Creek in June 2017. If PEER were to assume a similar cost for each high-hazard dam inspection, excluding travel, an average of \$9,000<sup>13</sup> per year to inspect PHWD's high-hazard dams would be a reasonable estimation.

In addition, PHWD's 2020 Capital Infrastructure Plan (Appendix D on page 35) identified \$9,400,000 in maintenance needs for PHWD's dam structures (significantly more than the \$3,650,000 projected in 2017):

- \$400,000 – analysis and formal inspections of eight dams as required by Mississippi Department of Environmental Quality;
- \$2,000,000 – Flint Creek – upgrade principal spillway and hydraulic gates;
- \$1,000,000 – Big Creek – upgrade to high-hazard and upgrade concrete spillway;
- \$1,000,000 – Little Black Creek – upgrade to high-hazard;
- \$1,250,000 – Turkey Creek – rehabilitate principal spillway;
- \$1,550,000 – Maynor Creek – rehabilitate principal spillway;
- \$1,200,000 – Archusa Creek – upgrade five gates; and,
- \$1,000,000 – Dry Creek – enlarge the permanent pool.

PHWD's 2020 Capital Infrastructure Plan identified \$9,400,000 in maintenance needs for dam structures, significantly more than the \$3,650,000 projected in 2017.

PHWD received up to \$287,000 in funding from the Mississippi Dam Safety Fund (available on a reimbursement basis) to perform required work to modify and rehabilitate Little Black Creek Dam, including upgrading it to a high-hazard dam. The work is required by the Mississippi Department of Environmental Quality, following findings during the dam's five-year inspection. In-kind funds may comprise some of PHWD's portion of the estimated \$680,000 to \$700,000 project costs. The PHWD's 2017 and 2020 capital infrastructure plan estimated these costs to be \$1,000,000.

The Mississippi Department of Environmental Quality is also requiring PHWD to repair Dry Creek Dam to correct conditions resulting in an unsatisfactory assessment. This primarily involves removing sediment to permit the dam's outlet pipes to drain properly and without obstruction along with maintenance activities (i.e., establishing grass cover to prevent tree growth/erosion and repairing seepage spots). The cost for the work has yet to be determined; it is possible a portion or all of the work could be done by PHWD's central maintenance crew.

Additionally, PHWD has paid off the 50-year loan with the Corps of Engineers regarding the cost of construction of the Okatibbee Dam/Reservoir. As discussed previously on page 12, PHWD is

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<sup>13</sup> (\$9,000 per dam inspection \* 5 high-hazard dams) / 5 years, given it costs approximately \$9,000 per dam inspection to inspect each of the five high-hazard dams once every five years.

requesting to exit the Okatibbee Reservoir water storage agreement, and thus end the annual per year costs for ordinary operation and maintenance of the Okatibbee Dam/Reservoir (currently approximately \$50,000).

#### Issues Related to Big Creek Dam

On July 6, 2017, the Mississippi Department of Environmental Quality notified PHWD that the inspection report for the Big Creek dam indicated a spillway capacity deficiency and that it needed to provide a corrective action plan by August 31, 2017. In response, PHWD notified the Mississippi Department of Environmental Quality that it was seeking funding assistance from the Natural Resources Conservation Service to upgrade the spillway capacity at Big Creek to meet regulations for high-hazard dams. PHWD was expected to obtain funding in 2019 and implement the upgrades in spillway capacity in 2022.

According to the PHWD Parks Director, a PHWD staff engineer had informal talks with the NRCS, but no records were maintained (e.g., emails or internal memorandums documenting said conversations). As of October 27, 2022, PHWD had not submitted an application for USDA-NRCS funding. According to the Director of the Mississippi Department of Environmental Quality Dam Safety Division, the USDA-NRCS application process can take two to three years.

Additionally, the Director of the Mississippi Department of Environmental Quality Dam Safety Division stated this may put PHWD at risk of funding the project 100% with PHWD funds. PHWD's 2020 capital infrastructure plan includes a cost of \$1,000,000 to upgrade the dam to high-hazard requirements and upgrade the concrete spillway; however, the actual cost to complete the project has yet to be determined. Mississippi Department of Environmental Quality admitted that due in part to the change in the director of the dam safety division, Mississippi Department of Environmental Quality has not followed up to oversee the process. However, that does not give PHWD a pass for not proceeding toward efforts to make the dam improvements, as outlined in its 2017 plan to Mississippi Department of Environmental Quality.

## Update on George County and Smith County Lake Development Projects

**PHWD is currently involved in two lake development projects—the Pascagoula River Drought Resiliency Project in George County (Lake George Project) and the Smith County Recreational Project in Smith County (Smith Lake Project) –providing technical and administrative assistance.**

As counties move to incorporate methods within their boundaries to increase economic development and improve water management, lake development projects have emerged as an option. PHWD brings its experience in managing and operating lakes and is providing technical and administrative assistance for both the Pascagoula River Drought Resiliency Project and the Smith County Recreational Project throughout the course of development. PEER previously reported on these efforts in 2017. (See PEER Report # 614, December 18, 2017).

Since 2017, PHWD has continued to provide technical and administrative support for both the Pascagoula River Drought Resiliency Project (commonly referred to as Lake George Project) and the Smith County Recreational Project (commonly referred to as Smith Lake Project).

(See Appendix E on page 37 for additional discussion of the two proposed lake development projects.)

### **Pascagoula River Drought Resiliency Project (Lake George Project)**

Since 2017, the Lake George Project has been scaled down from an initially planned 2,700-acre lake to an approximately 1,000-acre lake. The U.S. Army Corps of Engineers – Mobile District required PHWD to resubmit the mitigation plan and the purpose and needs statement for the Lake George project. On May 24, 2022, with the approval of the George County Board of Supervisors and PHWD Board of Directors, PHWD submitted to the Corps of Engineers – Mobile District a significantly revised “Statement of Purpose and Need for a Recreational Reservoir and Park” in George County, Mississippi, and a “Preliminary Conceptual Compensatory Mitigation Plan.” PHWD is awaiting the Corps’ formal response.

### **Smith County Recreational Project (Smith Lake Project)**

Since 2017, PHWD has continued efforts to engage the U.S. Forest Service, which oversees the federal land the project would take place on. PHWD is working with members of the Mississippi Congressional Delegation to request Congress include the following language in either the 2022 Farm Bill or the FY 2023 Interior Appropriation Bill:

*The Secretary shall approve a Special Use Planning Permit to the Pat Harrison Waterway District for a large recreational lake on the Bienville National Forest in Smith County, Mississippi.*

PHWD is currently waiting to hear if the U.S. Forest Service approves its request to transfer the land to PHWD where the lake would be built. If the U.S. Forest Service does approve the land transfer, PHWD/local government entities will then need to seek funding support to cover the 60-40 match for the project.

### **Potential Management of Two New Lake Developments**

PHWD has worked closely with both George and Smith counties. If either or both projects are approved and come to fruition, PHWD is expected to essentially manage and operate both lakes upon their completion. PEER has not reviewed the financial impact the potential addition two new lake development and recreational parks (i.e., Lake George Project and Smith Lake Project) will have on PHWD parks or other state park operations. In 2017, PEER noted concerns regarding the potential additional costs should PHWD move forward with the lake projects. Although the lakes’ amenities are expected to ensure self-sustainability, PHWD could experience negative financial consequences if the lakes are not as economically successful as projected.

PEER cautions that PHWD should carefully evaluate its ability to manage two proposed lake developments, the Pascagoula River Drought Resiliency Project (Lake George) and the Smith County Recreational Project (Smith Lake). PHWD could suffer negative financial consequences if the lakes are not as economically sustainable as projected.

PHWD is already limited in its ability to fund capital outlay projects and has a deferred maintenance backlog. Potentially adding two new recreational parks would increase the workload of PHWD’s maintenance crew while adding more park acreage, infrastructure, and amenities for PHWD to maintain.

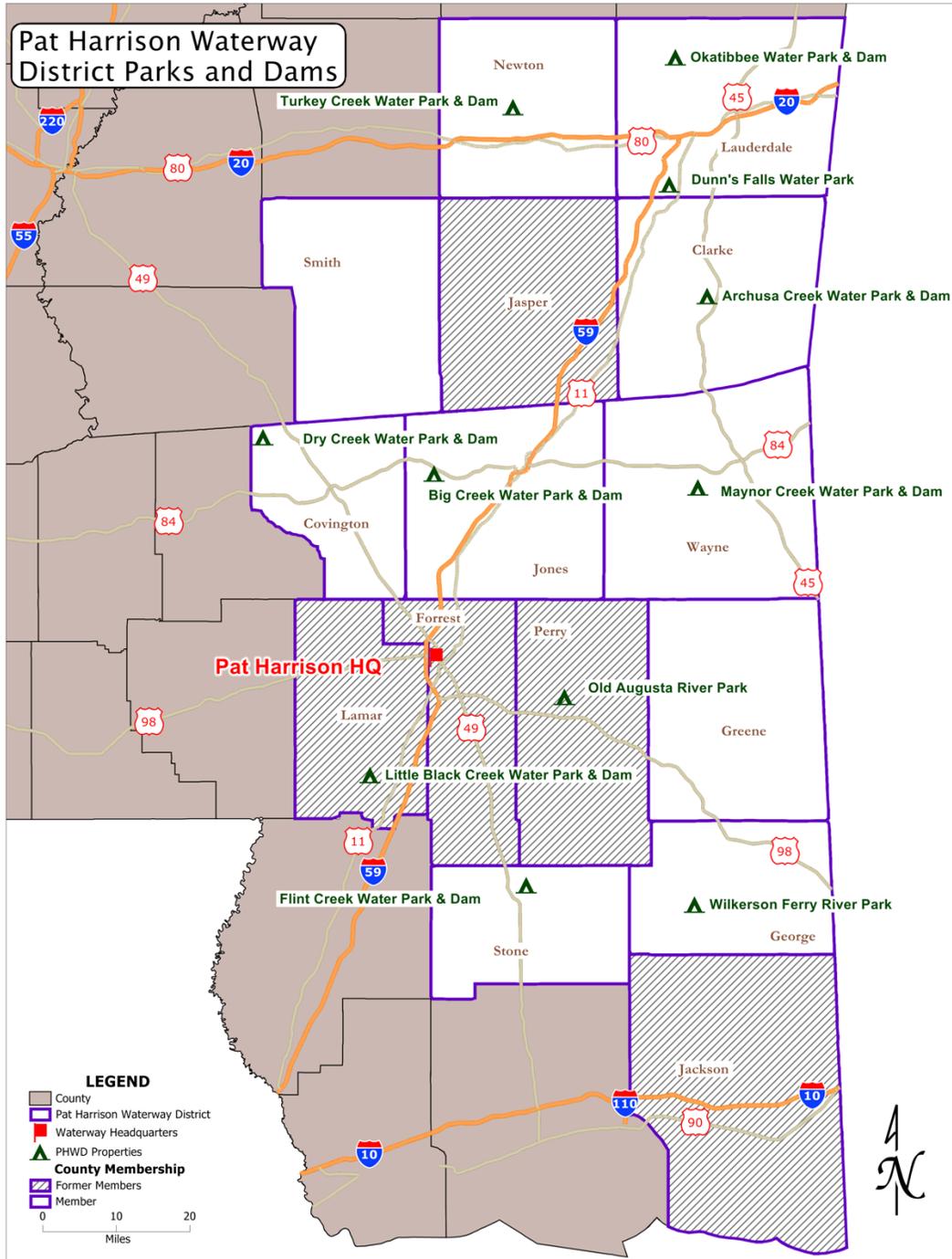
## Recommendations

1. The Legislature should amend MISS. CODE ANN. Section 51-15-118 (1972) to require member counties who choose to exit the PHWD to do so with an effective date of the fiscal year-end, June 30. According to the PHWD Director of Accounting and Finance, if exiting member counties were required to exit at fiscal year-end, PHWD could use its annual audit to calculate the exiting county's portion of liabilities and obligations<sup>14</sup> on the date of the withdrawal and thus eliminate the expense to the county to contract with a certified public accountant to calculate such liabilities.
2. The PHWD Board of Directors should comply with MISS. CODE ANN. Section 51-15-119 (2) (1972) to *annually prepare a five-year plan containing a prioritized list detailing the purposes, goals and projected costs of projects which it intends to implement or is in the process of implementing and shall file such plans with the clerk of the board of supervisors of each member county on or before July 15 of each year.*
  - a. Further, the Legislature should amend MISS. CODE ANN. Section 51-15-119 (2) (1972) to require PHWD also submit the plan to the House and Senate Appropriations committees on or before July 15 of each year.
3. The PHWD Board of Directors should establish a Board policy specifying for what purposes the PHWD cash reserve fund may be utilized, and requirements for authorizing the use of such funds. For example, this may include a policy stating the expenditure of cash reserve funds requires a two-thirds Board vote. A cash reserve fund utilization policy may state that PHWD allocates \$1,000,000 toward operating cash flow, \$3,000,000 for emergency maintenance funds, and \$3,000,000 to sustain PHWD operations in the event of revenue shortfalls. The PHWD Board of Directors, in consult with PHWD staff, shall adopt a document outlining the reasoning for its policy and plans for the use of PHWD's reserve fund.

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<sup>14</sup> Liabilities and obligations are "any district bonds, contractual obligations, and any other indebtedness and liabilities of PHWD that are outstanding on the date of such county's withdrawal from PHWD."

# Appendix A: PHWD's Parks and Dams



**SOURCE:** Standing Joint Legislative Committee on Reapportionment and PEER illustration based on locations provided by Pat Harrison Waterway District staff.

## Appendix B: PHWD's Recreational Facilities, as of September 2022

County	Park(s)	Park Structures	Boat Ramp(s) <sup>1</sup>
Clarke	Archusa Creek Water Park – Quitman	6 cabins (added 2 March 2021) 1 enclosed pavilion 3 open-air shelters 2 boat ramps 77 campsites (added 8 February 2020)	Quitman Boat Ramp Shubuta Boat Ramp
Covington	Dry Creek Water Park – Mt. Olive	1 open-air shelter 36 campsites (added 6 February 2017) mountain bike trail 2 boat ramps	N/A
George	N/A	N/A	Wilkerson Ferry River Park Tom's Camp Boat Ramp Big Creek (aka Buzzard's Roost)
Greene	N/A	N/A	N/A
Jones	Big Creek Water Park – Soso	4 cabins 1 enclosed pavilion 1 boat ramp 57 campsites (added 7 March 2020) horse trail	Eastabuchie Boat Ramp
Lauderdale	Dunn's Falls Water Park – south Lauderdale County Okatibbee Water Park – Meridian	1 cabin 0 campsites 1 old mill ( <b>historic site</b> ) 4 cabins 105 campsites (utilize 83) 25-room motel (demolished) water park/slides (demolished)	N/A
Newton	Turkey Creek Water Park – Decatur	5 cabins (added two July 2021) 1 lodge hall 1 open-air shelter 32 campsites (added 10 FY 2020) horse trail (added FY 2019)	N/A
Smith	N/A	N/A	N/A

Stone	Flint Creek Water Park – Wiggins	46 cabins 1 lakeview lodge 2 open-air pavilions kiddie and adult waterslides 161 campsites (added 8 June 2021)	N/A
Wayne	Maynor Creek Water Park – Waynesboro	9 cabins 3 open-air pavilions 2 lodge halls 79 campsites (added 10 November 2019) ATV trail (added FY 2020)	Waynesboro Boat Ramp  Highway 63 Boat Ramp  Highway 83 Boat Ramp
Lamar*	Little Black Creek Campground and Park <sup>2</sup> – Lumberton	20 cabins 1 enclosed pavilion 1 open-air shelter 106 campsites ziplines	N/A
Forrest*	PHWD headquarters – Hattiesburg	N/A	N/A
Jasper*	N/A	N/A	N/A
Jackson*	N/A	N/A	N/A
Perry*	N/A	N/A	Beaumont Boat Ramp  Old August River Park

\*Denotes county has withdrawn from PHWD.

1. PHWD began providing maintenance funds for four additional boat ramp sites. PHWD ceased providing \$3,000 in maintenance funds to Perry County for its boat ramps after Perry County withdrew from PHWD.

2. Leased by a private vendor. The private vendor is responsible for maintenance and upkeep of facilities. The private vendor has not submitted to PHWD plans to build additional cabins or campsites since assuming the lease on December 20, 2013.

**SOURCE:** Pat Harrison Waterway District staff.

## Appendix C: PHWD County Ad Valorem Contributions, FY 2009 through FY 2022

County	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Clarke	80,697	86,392	78,727	81,297	82,187	87,211	79,148
Covington	51,061	126,424	168,210	124,097	114,812	196,333	210,115
Forrest	415,930	466,012	466,435	449,066	458,954	51,972	272
George	92,113	99,670	105,113	101,609	102,388	103,588	107,396
Greene	\$49,206	58,077	12,057	89,156	57,387	45,919	52,058
Jackson	275,838	274,320	279,805	285,917	290,817	305,694	319,842
Jasper	109,781	119,682	131,604	134,061	149,220	12,513	273
Jones	342,602	367,118	366,654	374,181	380,416	387,495	396,609
Lamar	362,094	368,166	371,336	50,108	214	57	183
Lauderdale	400,142	386,034	380,011	383,343	382,191	402,066	403,984
Newton	73,196	73,668	67,024	62,776	61,472	62,730	65,652
Perry	72,907	71,816	76,345	73,550	71,881	72,595	73,539
Smith	75,618	87,419	94,686	95,908	95,911	99,479	106,042
Stone	59,605	78,691	82,596	81,647	84,432	85,385	86,727
Wayne	101,965	103,403	103,694	105,380	105,641	109,409	111,021
<b>Total</b>	<b>\$2,562,755</b>	<b>\$2,766,892</b>	<b>\$2,784,297</b>	<b>\$2,492,096</b>	<b>\$2,437,923</b>	<b>\$2,022,446</b>	<b>\$2,012,861</b>

County	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Clarke	120,801	147,828	150,550	136,097	135,417	135,097	166,056
Covington	170,743	170,212	193,520	195,350	237,015	186,549	286,481
Forrest	\$0	0	675,000	675,000	10	92	41
George	119,715	122,305	122,225	130,038	138,256	147,468	142,471
Greene	55,086	59,186	58,254	58,997	76,525	81,056	80,292
Jackson	310,026	304,370	30,062	1,090	92	17	57
Jasper	161	338	125,077	32	116	44	25
Jones	415,165	421,012	434,530	423,551	459,204	463,124	586,081
Lamar	337,188	15	3	0	0	0	4
Lauderdale	427,751	434,686	430,618	442,235	441,568	456,521	450,932
Newton	83,241	87,730	91,544	96,846	101,095	104,085	107,115
Perry	81,188	84,343	7,363	0	0	0	0
Smith	113,761	116,662	123,651	121,428	126,098	123,434	122,021
Stone	90,406	93,078	96,462	94,323	97,728	101,755	101,078
Wayne	123,958	130,855	131,640	134,418	137,702	141,465	134,588
<b>Total</b>	<b>\$2,449,190</b>	<b>\$2,172,620</b>	<b>\$2,670,499</b>	<b>\$2,509,405</b>	<b>\$1,950,826</b>	<b>\$1,940,707</b>	<b>\$2,177,242</b>

SOURCE: Pat Harrison Waterway District staff.

## Appendix D: PHWD Capital Infrastructure Plan (2017 versus 2020)

<b>Infrastructure Needs — by Category</b>	<b>2017 Cost (\$)</b>	<b>2020 Cost (\$)</b>
<b>Electrical</b>		
Maynor Creek Water Park – 69 sites	144,900	300,000
Archusa Creek Water Park – 69 sites	144,900	300,000
Big Creek Water Park – 28 sites	58,800	120,000
Flint Creek Water Park – 127 sites	266,700	533,400
Okatibbee Water Park – 66 sites	138,600	280,000
Turkey Creek Water Park – 22 sites	46,200	93,000
Dry Creek Water Park – 28 sites	58,800	120,000
Little Black Creek – 100 sites	210,000	420,000
<b>Total – Electrical</b>	<b>1,068,900</b>	<b>2,166,400</b>
<b>Water and Sewer</b>		
Maynor Creek Water Park – 17,900	62,650	200,000
Archusa Creek Water Park – 15,868 feet	55,538	130,000
Big Creek Water Park – 18,480 feet	64,680	130,000
Flint Creek Water Park – 50,160 feet	175,560	400,000
Okatibbee Water Park – 20,000 feet	70,000	150,000
Turkey Creek Water Park – 10,560 feet	36,960	100,000
Dry Creek Water Park – 15,840 feet	55,440	120,000
Dunn’s Falls – 5,280 feet	18,480	40,000
<b>Total – Water and Sewer</b>	<b>539,308</b>	<b>1,270,000</b>
<b>Roadway Resurfacing – Includes Campsite Pads</b>		
Flint Creek Water Park – 9.63 miles	1,926,000	1,926,000
Maynor Creek Water Park – 3.39 miles	678,000	900,000
Archusa Creek Water Park – 3 miles	600,000	800,000
Big Creek Water Park – 3.5 miles	700,000	900,000
Turkey Creek Water Park – 5 miles	1,000,000	1,000,000
Dry Creek Water Park – 2.5 miles	500,000	700,000
Dunn’s Falls – 1 mile	200,000	300,000
Little Black Creek Water Park	598,000	800,000
Okatibbee Water Park – resurfacing completed in 2015	Completed	Completed
<b>Total – Roadway Resurfacing</b>	<b>6,202,000</b>	<b>7,326,000</b>
<b>Bathroom Renovations</b>		
Renovate 27 Bathhouses	486,000	800,000
<b>Total – Bathroom Renovations</b>	<b>486,000</b>	<b>800,000</b>
<b>Cabin Renovations</b>		
Flint Creek – 21 Cabins	88,600	420,000
Maynor Creek – 5 Cabins/Bungalows	24,100	100,000
Archusa Creek – 4 Cabins	18,100	80,000
Big Creek – 4 Cabins/Bungalows	16,000	80,000

Turkey Creek – 3 Cabins	12,600	60,000
Okatibbee – 4 Cabins	16,500	80,000
Okatibbee Motel	41,000	Demolished
<b>Total – Cabin Renovations</b>	<b>216,900</b>	<b>820,000</b>
<b>Dam Structures</b>		
Analyzing and formal inspections of 8 dams as required by Mississippi Department of Environmental Quality	400,000	400,000
Flint Creek – Upgrade principal spillway and hydraulic gates	500,000	2,000,000
Big Creek – Upgrade to high-hazard dam and upgrade concrete spillway	750,000	1,000,000
Little Black Creek – Upgrade to high-hazard dam	1,000,000	1,000,000
Turkey Creek – Rehabilitate principal spillway	100,000	1,250,000
Maynor Creek – Rehabilitate principal spillway	100,000	1,550,000
Archusa Creek – Upgrade five gates	400,000	1,200,000
Dry Creek – Enlarge permanent pool as designed	400,000	1,000,000
<b>Total – Dam Structures</b>	<b>3,650,000</b>	<b>9,400,000</b>
<b>Other</b>		
<b>Dunn’s Falls Mill House Waterwheel</b>		
Repair original millhouse waterwheel.	80,000	120,000
<b>Little Black Creek and Maynor Creek</b>		
Remove sewage treatment facility and construct alternative containment lagoon.	200,000	400,000
<b>Little Black Creek</b>		
Renovation of outfall structure	42,000	75,000
<b>Boat Ramps/Piers</b>		
Renovation/replacement of 9 piers at all PHWD parks	27,000	90,000
<b>Campsites</b>		
Renovate/update campsites at 7 parks with gravel, fire rings, picnic tables, retainer walls, handrails, backstops, and landscaping.	189,000	300,000
<b>County Ramps and Grounds</b>		
Renovations at 9 county facilities located on rivers within PHWD	42,000	75,000
<b>Sewage Lift Stations</b>		
Renovation/replacement includes pumps, motors, and electrical panel boxes; 3 new lift stations needed	376,000	600,000
<b>Total – Other</b>	<b>956,000</b>	<b>1,660,000</b>
<b>Grand Total</b>	<b>\$13,119,108</b>	<b>\$23,442,400</b>

**SOURCE:** Pat Harrison Waterway District’s 2020 Capital Infrastructure Plan, dated July 1, 2020, and Pat Harrison Waterway District’s 2017 Capital Infrastructure Plan, dated June 1, 2015, and updated 2017.

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## Appendix E: Lake Development Projects

The Pat Harrison Waterway District works alongside interested member counties as they move to incorporate methods within their areas for economic development in addition to water management. Two ongoing projects in which PHWD is involved include the Pascagoula River Drought Resiliency Project in George County and the Smith County Recreational Project in Smith County.

### **Pascagoula River Drought Resiliency Project (Lake George)**

The Pascagoula Drought Resiliency Project is a lake development project that seeks to minimize the frequency, severity, and duration of low-flow events and to store sufficient surface water to augment river flows in the Pascagoula River. The project would include two lakes of about 2,868 acres in George County. The most recent estimation projected the cost to be approximately \$80 million.

#### **Background**

The Pascagoula River Drought Resiliency Project, informally referred to as the Lake George Project, started as a bond held by the Mississippi Department of Wildlife, Fisheries, and Parks for lake construction in George County. House Bill 1625, during the 2010 Regular Session, transferred that bond to the Pat Harrison Waterway District.

According to the Pat Harrison Waterway District, projections indicate that there will be more frequent, more severe, and longer droughts in the basin; thus, this project will provide sufficient surface water and restore water table levels to maintain the Pascagoula River above-established minimum stream flows through 2060. The project provides a two-pronged drought resiliency approach:

1. Restore the watershed's natural sub-surface water table to minimize the frequency, severity, and duration of low-flow events.<sup>15</sup>
2. Store sufficient surface water supplied, to augment river flows in the Pascagoula River quickly and efficiently when necessary (during extreme drought events).

In addition to its primary purpose, the plan is to also include public recreational facilities that will consist of one or two public recreational water parks, cabins RV hookups, camping sites, water slides, boat launches, shelters, lodge halls, nature trails, and other amenities.

The Lake George Project would include two lakes of about 2,868 total acres on Little Cedar Creek and Big Cedar Creek.

Bond money has covered, or will cover, the permitting process prior to the actual groundbreaking of the lakes. According to the George County Community Development Director, the total cost of the project will be produced by the Corps of Engineers, but the current estimate is \$80 million. That amount includes land acquisition, engineering design, and construction of the lakes, including two public parks with direct water access and several public boat ramps. According to George County's Community Development Director, taxes will not be raised to cover the cost of construction. The project will be paid for with private and individual funds.

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<sup>15</sup> A watershed is an area or ridge of land that separates waters flowing to different rivers, basins, or seas.

## **2017 Status of the Lake George Project**

AECOM Technical Services, Inc.,<sup>16</sup> (AECOM) is currently conducting an environmental impact statement on the Lake George Project. This process must be completed before the U.S. Army Corps of Engineers can issue a permit to begin groundwork.

As of September 2017, the project is about halfway through the projected two-year environmental impact statement conducted by AECOM, managed by the Pickering Firm, and overseen by the U.S. Army Corps of Engineers. The required environmental impact statement process must be completed in order for the Corps of Engineers to issue a permit to begin groundwork. The statement will address the direct, indirect, and cumulative impacts of the proposed project and include a reasonable range of alternatives. Although the Corps of Engineers is the lead federal agency with the final authority to determine whether, where, when, and under what terms and conditions a permit would be issued to PHWD (in cooperation with the George County Board of Supervisors), it will also coordinate with the following agencies during the EIS process:

- U.S. Fish and Wildlife;
- U.S. Environmental Protection Agency;
- Mississippi Department of Environmental Quality; and,
- Mississippi Department of Natural Resources.

Stream flow, hydrology, and environmental studies have been completed. When the environmental impact statement has been completed, the Corps of Engineers will alert the George County Board of Supervisors and PHWD on the next steps. Although dependent upon the Corps of Engineers, according to George County's Community Development Director, PHWD is hopeful for groundbreaking on the project in 2020 or 2021.

## **Smith County Recreational Project (Smith Lake)**

The Smith County Recreational Project seeks to allow for economic development, job creation, and increased tax revenue by creating a 3,753-acre recreational lake in the Bienville National Forest in Smith County. The cost of this lake development project has yet to be projected.

### **Background**

According to Senate Report No. 106-312, during the 106th Congress, 2nd Session, Congress funded the Smith County Lake Project through the U.S. Forest Service in 2000. Congress originally required the Forest Service to determine the economic feasibility of a recreational lake project in the Bienville National Forest in Smith County. Mississippi State University conducted an economic feasibility study and found the project to be economically feasible if including a variety of amenities, such as cabins, RV hookups, camping sites, water slides, boat launches, shelters, lodge halls, and nature trails.

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<sup>16</sup> AECOM, an infrastructure firm, provides a broad range of technical services to the U.S. Department of Defense and federal civilian agencies.

The project's ultimate purpose is to replace declining federal timber sale revenue<sup>17</sup> that Smith County and neighboring counties received from the Bienville National Forest by creating a multipurpose/multiuse recreational reservoir to spur economic development, job creation, and increased tax revenue. The plan is to have an approximate mix of 75% national forest land and 25% nonfederal land to ensure opportunities for an economically viable mix of lakefront amenities on nonfederal land, patterned after the Ross Barnett Reservoir. The final project proposal includes a 3,753-acre lake on Oakohay and Little Oakohay Creeks in Smith County.

The cost of the final proposed project has yet to be projected. According to the Smith County Board of Supervisors, the project could receive funding from such sources as public/private partnerships, tax incremental financing, rural development funds, or timber sales.

### **2017 Status of the Smith Lake Project**

According to the Pat Harrison Waterway District, two issues requiring federal legislation need to be resolved prior to moving forward on the project:

- the roles and responsibilities of the Forest Service, Smith County Board of Supervisors, and the Pat Harrison Waterway District in the proposed project; and,
- who will determine the number and type of amenities/development around the proposed lake.

Efforts have been underway since late 2012 to resolve these issues. According to PHWD, these issues directly and significantly affect the proposed project's economic impact and feasibility. The U.S. Forest Service wants the proposed lake to be a Forest Service lake; however, Smith County is not confident that the lake would have an economic impact if it were a Forest Service lake, its reasoning in part based on the status of Lake Okhissa in Franklin County that is operated by the Forest Service. According to the Pickering Firm, one of the reasons that Lake Okhissa has not been economically sustainable is that the Forest Service has been unable to attract private developers. The Forest Service, and its economic studies, assumed that private companies would respond to its solicitation to build and operate the various amenities necessary to make the lake economically viable, but that was not the case. PHWD has experience negotiating and managing private leases around public facilities. According to the Pickering Firm, for this reason, it is critical to resolve who and how Smith Lake will be operated to project the range of shoreline amenities and ability to engage in a public-private partnership to develop and operate and maintain those amenities. As a result, Smith County and the Pat Harrison Waterway District began to look into land transfers and long-term special use permits.

According to PHWD and the Pickering Firm, federal legislation will be necessary to resolve these two main issues. Efforts are underway to get appropriate legislation introduced in the 115th Congress to resolve these land ownership and responsibility issues. The timeline of the project is heavily dependent on the outcome of the 115th Congress as well as the desires of the Smith County Board of Supervisors.

**SOURCE:** *A Financial Viability Review of the Pat Harrison Waterway District*. December 18, 2017. PEER Report #614, Appendix G, pages 41 through 44.

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<sup>17</sup> In 1908, Congress established the 25% fund to ensure that counties containing national forest lands receive 25% of the revenues generated mainly from federal timber sales on those lands.

# Agency Response

17 J M Tatum Industrial Drive Suite 120,  
Hattiesburg, MS 39401



Telephone  
601-318-1215

## PAT HARRISON WATERWAY DISTRICT

Board of Directors December 19, 2022

*James Buchanan*  
Clarke County

*Bob Shoemaker*  
Covington County

*Greg Pitts*  
George County

*Robin McCoy*  
Greene County

*Larry Griffin*  
Jones County

*Bill Pennington*  
Lauderdale County

*John Walker*  
Newton County

*Don Pittman*  
Smith County

*Ron Purvis*  
Stone County

*Kenny Mills*  
Wayne County

*Rex Hiatt*  
District-at-Large

*Gerald Moore*  
District-at-Large

*Mike Smith*  
District-at-Large

*Hiram Boone*  
Executive Director

*Josh Todd*  
Deputy Executive Director

*Allen Wright*  
Parks Director

James F. (Ted) Booth  
Executive Director  
PEER Committee  
P. O. Box 1204  
Jackson, MS 39215-1204

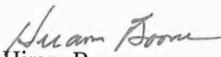
Mr. Ted Booth:

After a thorough review of the draft of the PEER report of Pat Harrison Waterway District's Current Financial Status and its effort to plan for capital outlay needs, we concur with your recommendations and will move to correct the items noted. We appreciate the opportunity to review the draft copies of the report.

We do not need to have an exit conference with your committee.

I am returning the five (5) copies of the draft report along with a list of the five people that reviewed the report.

Sincerely,

  
Hiram Boone  
Executive Director

Enclosures

cc: Don Pittman, President  
Pat Harrison Waterway District

TOLL FREE: 1-800-748-9403 (RESERVATIONS) • 1-800-748-9618 (BUSINESS)  
"Industrial Growth Through Waterway Development and Flood Control"

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**James F. (Ted) Booth, Executive Director**

Legal and Reapportionment

Barton Norfleet, General Counsel  
Ben Collins

Administration

Kirby Arinder  
Stephanie Harris  
Gale Taylor

Quality Assurance and Reporting

Tracy Bobo  
Hannah Jane LeDuff

Performance Evaluation

Lonnie Edgar, Deputy Director  
Jennifer Sebren, Deputy Director  
Kim Cummins  
Matthew Dry  
Matthew Holmes  
Drew Johnson  
Billy Loper  
Debra Monroe-Lax  
Taylor Mullins  
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